

**LOUISIANA DELTA SERVICE CORPS**  
Baton Rouge, Louisiana

**FINANCIAL REPORT**

August 31, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4-19-06

# **LOUISIANA DELTA SERVICE CORPS**

Baton Rouge, Louisiana

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Louisiana Delta Service Corps  
Baton Rouge, Louisiana

We have audited the accompanying statement of financial position of the **LOUISIANA DELTA SERVICE CORPS (LDSC)** (a non-profit corporation) as of August 31, 2005, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the LDSC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **LOUISIANA DELTA SERVICE CORPS** as of August 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2006 on our consideration of the LDSC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Faulk & Winkler, LLC*

Certified Public Accountants

Baton Rouge, Louisiana  
February 21, 2006

**LOUISIANA DELTA SERVICE CORPS**

Baton Rouge, Louisiana

**STATEMENT OF FINANCIAL POSITION**

August 31, 2005

**ASSETS****CURRENT**

Cash	\$	79,165
Accounts receivable		8,516
Employee receivable		1,998
Prepaid expense and other		<u>3,163</u>

Total current assets 92,842

**PROPERTY AND EQUIPMENT, net** 688

Total assets \$ 93,530

**LIABILITIES AND NET ASSETS****CURRENT LIABILITIES**

Accounts payable	\$	2,558
Accrued expenses		<u>6,817</u>

Total liabilities 9,375

**NET ASSETS**

Unrestricted 84,155

Total liabilities and net assets \$ 93,530

The accompanying notes to the financial statements  
are an integral part of this statement.

**LOUISIANA DELTA SERVICE CORPS**

Baton Rouge, Louisiana

**STATEMENT OF ACTIVITIES**

For the year ended August 31, 2005

**REVENUES**

## Grants:

Federal and other sources \$ 381,892

## Other:

Contributions 28,595

In-kind 87,367Total revenues 497,854**EXPENSES**

## Program:

Personnel 300,897

Operational 40,031

Participant support costs 73,406

Administrative 45,647Total expenses 459,981

Increase in net assets 37,873

**NET ASSETS - UNRESTRICTED**Beginning of year 46,282End of year \$ 84,155

The accompanying notes to the financial statements  
are an integral part of this statement.

**LOUISIANA DELTA SERVICE CORPS**

Baton Rouge, Louisiana

**STATEMENT OF CASH FLOWS**

For the year ended August 31, 2005

**CASH FLOWS FROM OPERATING ACTIVITIES**

Increase in net assets	\$ 37,873
Adjustments to increase in net assets:	
Depreciation	1,035
Change in operating assets and liabilities:	
Accounts receivable	(2,516)
Employee receivable	(109)
Prepaid expenses	1,244
Accounts payable and accrued liabilities	<u>1,564</u>
Net cash provided by operating activities	39,090

**CASH**

Beginning of year	<u>40,075</u>
End of year	<u>\$ 79,165</u>

The accompanying notes to the financial statements  
are an integral part of this statement.

## **LOUISIANA DELTA SERVICE CORPS**

Baton Rouge, Louisiana

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Organization and Operations**

Louisiana Delta Service Corps (LDSC) is a non-profit corporation whose purpose is to engage Americans of all ages and backgrounds as participants in community based service that provides a direct and demonstrable benefit that is valued by the community. Areas of service are education, public safety, the environment, and other human needs. LDSC primarily operates in the Baton Rouge area.

LDSC administers the Louisiana Delta Service Corps AmeriCorps program funded through the Corporation for National Services.

##### **Basis of presentation**

The accounting and reporting policies of LDSC conform to generally accepted accounting principles.

LDSC reports its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. LDSC does not have any temporarily or permanently restricted net assets at August 31, 2005.

##### **Estimates**

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used primarily when accounting for depreciation, and in-kind revenues and expenses.

##### **Revenue recognition**

LDSC records grant revenue as services are rendered.

##### **Cash**

For purpose of the statement of cash flows, LDSC considers cash in operating bank accounts and highly liquid investments as cash. At August 31, 2005, LDSC did not have any cash equivalents.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equipment**

Equipment purchased by LDSC is recorded at cost. Depreciation is computed on the double declining balance method.

**In-kind contributions**

The value of contributed services to LDSC has been recognized at the fair market value of the benefit received. Contributed services during the year ended August 31, 2005, consist of training, supervision, and transportation of LDSC corp members during service projects, and the use of building space provided by sponsoring not-for-profit agencies. During the year ended August 31, 2005, LDSC received \$87,367 as in-kind contributions.

Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing these skills and would typically be purchased if not provided by donation.

**Fair value of financial instruments**

The carrying value of cash, receivables, accounts payable, and accrued expenses approximate fair value due to the short-term maturity of these instruments. None of the financial instruments are held for trading purposes.

**Vacation leave**

Vacation leave is earned at varying rates for two to four weeks depending on length of service. A maximum of ten days of unused leave can be carried over to the subsequent year. Accordingly, amounts related to such vacation leave have been accrued.

**Income taxes**

The Corporation is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**Pension Plan**

LDSC sponsors a salary deferral plan that has been established under Section 403(b) of the Internal Revenue Code. Under the provisions of the plan, employees may elect to defer a percentage of their compensation or a maximum of \$14,000 annually. Salary deferrals and the related earnings are 100% vested and non-forfeitable. LDSC is not required to make matching contributions to the plan. However, during the year ended August 31, 2005, LDSC contributed approximately \$6,307 to the plan.

These assets are held in the trust fund established under the Plan. The responsibility for financial administration of the plan is with Mutual of America Insurance Company.



**NOTE 2 - EQUIPMENT**

Equipment, related service lives, and accumulated depreciation at August 31, 2005, are as follows:

<u>Description</u>	<u>Service Lives</u>	<u>Amount</u>
Equipment	3-5 years	\$ 32,394
Less accumulated depreciation		<u>(31,706)</u>
		<u>\$ 688</u>

Depreciation expense was \$1,035 for the year ended August 31, 2005.

**NOTE 3 - ECONOMIC DEPENDENCY**

During the year ended August 31, 2005, LDSC received the majority of its revenues through Federal grants, as follows:

	<u>Amount</u>
Receivable, beginning of year	\$ 6,000
Revenues earned	381,892
Collections	<u>(379,376)</u>
Receivable, end of year	<u>\$ 8,516</u>

**NOTE 4 - COMMITMENT**

LDSC leases office facilities and parking space under operating leases with two-year terms. During the year ended August 31, 2005, cash paid for rent expense was \$4,160.

However, during a portion of 2005, these office facilities were provided without charge, and accordingly in-kind rent expense of \$7,160 was recorded.

**NOTE 5 - CONCENTRATIONS OF CREDIT RISK**

Financial instruments which subject LDSC to concentrations of credit risk consist primarily of receivables. In addition, LDSC maintains cash in local banks, which may, at times, exceed the FDIC limits.

**NOTE 6 - SUBSEQUENT EVENT**

LDSC was granted additional funding of approximately \$555,000 from the Louisiana Serve Commission subsequent to August 31, 2005. The funds will be used to further services currently provided by LDSC. The term of the grant extends from September 1, 2005 to December 31, 2006.

**Special Independent Auditors' Report**

**LOUISIANA DELTA SERVICE CORPS**

Baton Rouge, Louisiana

August 31, 2005



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Louisiana Delta Service Corps  
Baton Rouge, Louisiana

We have audited the financial statements of **LOUISIANA DELTA SERVICE CORPS (LDSC)** (a non-profit organization) as of and for the year ended August 31, 2005, and have issued our report thereon dated February 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered LDSC's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting, that, in our judgment, could adversely affect LDSC's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as Items 2005-1, 2005-2, and 2005-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

However, the reportable conditions described above are also considered to be material weaknesses as defined above.

### Compliance and other matters

As part of obtaining reasonable assurance about whether LDSC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Directors, management, state and federal granting agencies, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

*Faulk & Winkler, LLC*

Certified Public Accountants

Baton Rouge, Louisiana  
February 21, 2006

# **LOUISIANA DELTA SERVICE CORPS**

Baton Rouge, Louisiana

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended August 31, 2005

### **1) Summary of Auditors' Results:**

- a) The type of report issued on the basic financial statements: **Unqualified opinion.**
- b) There were no instances of noncompliance material to the financial statements in relation to this audit.
- c) Reportable conditions in internal control disclosed by the audit of financial statements:  
**See 2005-1, 2005-2, and 2005-3.**

### **2) Findings – Financial Statement Audit**

#### **2005-1 HOST SITE IN-KIND EXPENSE RECORDS**

**Observation:** The State grant requires LDSC to provide matching funds in the form of in-kind or cash contributions. LDSC uses these in-kind contributions to meet the matching requirement associated with the grant. Monthly journal entries are made by LDSC to record the in-kind income with an associated in-kind expense. Our observation is summarized as follows:

- Certain monthly journal entries lacked complete supporting documentation,
- Existing documentation contained mathematical errors which indicated inaccurate amounts recorded,
- Records relating to in-kind activity were unorganized.

However, the amounts recorded in the attached financial statements were properly supported and were sufficient to meet matching requirements of LDSC's grant funding.

**Recommendation:** We recommend the following:

- LDSC initiate a policy to retain documentation relating to in-kind support as part of the monthly close-out procedures. Such records should be retained with the monthly closing records and related journal entries maintained by LDSC's contracted accountant,
- In-kind expenses recorded should be substantiated with reasonable supporting documentation,
- Documentation submitted by the host site should be reviewed by management for accuracy and completeness prior to recognition in the financial statements.

**Management's Corrective Action Plan:** Management concurs with the finding and will initiate procedures to obtain support for or verify in-kind expenditures. Documentation will be reviewed by the independent bookkeeper prior to recording the monthly journal entries, and filed in the monthly closing records.

## **2005-2 SEGREGATION OF DUTIES**

**Observation:** There is insufficient segregation of duties to have effective internal control. The finding results from the small size of the organization. These limitations allow no opportunity for meaningful segregation of duties.

**Recommendation:** We recommend the Treasurer review the following each month:

- Receive the unopened bank statement and review all transactions,
- The monthly bank reconciliation,
- Monthly financial statements and related detailed general ledger,
- Sign check disbursements.

**Management's Corrective Action Plan:** We concur with the observation and are in agreement with the recommendation. LDSC will explore implementing the recommendation during 2006.

## **2005-3 EMPLOYEE RECEIVABLE**

**Observation:** During our testing of payroll and payroll related accounts, we noted the following:

- In a prior year, LDSC paid both the employer and employee portions for the Executive Director's retirement contribution without withholding the employee portion from the Executive Director's salary,
- The receivable of approximately \$2,000 is outstanding at August 31, 2005.

**Recommendation:** The receivable should be collected during 2006.

**Management's Corrective Action Plan:** We concur with the observation and are in agreement with the recommendation.